

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2010-5-G - ORDER NO. 2010-826  
DECEMBER 16, 2010

IN RE: Annual Review of Purchased Gas	)	ORDER RULING ON
Adjustment and Gas Purchasing Policies of	)	PURCHASED GAS
South Carolina Electric & Gas Company	)	ADJUSTMENT AND GAS
	)	PURCHASING POLICIES
	)	AND ADOPTING
	)	SETTLEMENT
	)	AGREEMENT

This matter comes before the Public Service Commission of South Carolina (“the Commission”) for annual review of the Purchased Gas Adjustment and the Gas Purchasing Policies (“PGA”) of South Carolina Electric & Gas Company (“SCE&G” or “Company”), as required by Order No. 87-898, issued on August 14, 1987. Pursuant to that Order, the Commission opened the present docket for the purpose of conducting SCE&G’s 2010 annual PGA review. On June 16, 2010, the Commission scheduled a hearing for this matter for November 10, 2010, issued a Notice of Hearing and set return dates for intervention. The period under review in this docket is August 1, 2009 through July 31, 2010 (“Review Period”).

As the natural gas utility under review, SCE&G was automatically made a party to the proceeding. By letter dated June 16, 2010, the Commission instructed the Company to publish the Notice of Hearing in a newspaper of general circulation in the affected areas advising all interested parties of the manner and time in which to file

pleadings to obtain the right to participate in this proceeding. The Commission further instructed SCE&G to provide notification of the PGA review to each affected customer via U.S. Mail or by electronic mail to those customers who have agreed to receive notices by electronic mail on or before September 3, 2010, and to provide certification on or before September 23, 2010. The Company filed affidavits to confirm its compliance with the Commission's instructions on August 20, 2010.

The South Carolina Office of Regulatory Staff ("ORS") is a party in this matter pursuant to S.C. Code Ann. § 58-4-10 (Supp. 2009). No other parties sought to intervene in this proceeding.

By letter dated June 16, 2010, the Commission's Clerk's Office issued scheduling directions to all parties establishing the dates for the parties to pre-file testimony and exhibits in this case.

On September 24, 2010, SCE&G pre-filed the direct testimony of witnesses Martin K. Phalen, J. Darrin Kahl and Alice A. Fox. On October 7, 2010, ORS pre-filed the direct testimony of witnesses Roy H. Barnette and Carey M. Stites.

On November 3, 2010, ORS and SCE&G (collectively the "Settling Parties") filed a comprehensive Settlement Agreement ("Settlement Agreement"), wherein they stipulated to a resolution of all issues in the proceeding.

The Commission conducted a formal hearing in this matter on November 10, 2010, beginning at 10:30 a.m. in the hearing room of the Commission, with the Honorable John E. Howard presiding. K. Chad Burgess, Esquire, Matthew W.

Gissendanner, Esquire, and Benjamin P. Mustian, Esquire, represented the Company. Jeffrey M. Nelson, Esquire, and Courtney Edwards, Esquire, represented ORS.

At the opening of the hearing, Mr. Nelson moved the Settlement Agreement between the Settling Parties into the record along with the pre-filed testimony and exhibits of all ORS witnesses. The Settlement Agreement is identified as Hearing Exhibit 1, and Hearing Exhibit 2 contains the exhibits of ORS Witness Barnette.

Mr. Burgess moved into the record the pre-filed testimony and exhibits of all SCE&G witnesses. Hearing Exhibit 3 contains the exhibits of SCE&G Witnesses Kahl and Fox. Mr. Burgess also notified the Commission that SCE&G Witness Fox was unavailable to testify. Without objection from ORS, SCE&G requested that its witness Harry L. Scruggs, the Lead Rate Analyst in the Gas Rates Department of SCANA Services, Inc., be permitted to adopt and to present at the hearing the testimony and exhibits of Ms. Fox. The Commission granted this request.

In support of its PGA and Gas Purchasing Policies and the Settlement Agreement and as stipulated in the Settlement Agreement, SCE&G presented direct testimony from Martin K. Phalen, J. Darrin Kahl, and Harry L. Scruggs. ORS presented direct testimony from Roy H. Barnette and Carey M. Stites. Consistent with the terms of the Settlement Agreement, the witnesses who pre-filed direct testimony in this proceeding and orally presented such testimony before the Commission were subject to questioning by the Commissioners, and not by any party.

The Commission has considered the testimony and the exhibits of the witnesses and the other evidence of record in this proceeding including the Settlement Agreement.

Based on the evidence of record, the Commission concludes, as the Parties have stipulated, that adoption of the Settlement Agreement is in the best interest of SCE&G's customers, the State of South Carolina, and the financial integrity of the Company.

In making this finding, the Commission specifically finds that, during the Review Period, SCE&G (a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; (b) employed prudent gas purchasing practices and policies; (c) recovered its gas costs consistent with applicable tariffs and Commission orders, subject to the adjustment described in the testimony of ORS Witness Barnette, and administered the PGA in a prudent and reasonable manner; (d) conducted and administered its hedging program consistent with the authorization granted in Order No. 2006-679 and as modified in Order No. 2008-546; and (e) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

The Commission further finds that the monthly adjustment procedure and notification procedure for total cost of gas factors as adopted in Commission Docket No. 2006-5-G, Order No. 2006-679 as modified in Docket No. 2009-5-G, Order No. 2009-910 should be maintained. The parties have agreed, and we find it appropriate, that the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679 by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day

demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors. We further find the allocation factors of Residential 65.96%, Small General Service/Medium General Service 31.46%, and Large General Service 2.58%, as set forth in SCE&G Witness Fox's pre-filed direct testimony and adopted by Company Witness Scruggs, to be appropriate for use in the cost of gas calculations beginning with the first billing cycle of January 2011.

The Commission finds that a carrying cost adjustment of \$25,702 should be applied to the Company's cumulative over/under collection amount to reflect commencement of the unbilled portion of purchased gas costs in November 2009. We accept the use of ORS's cost of gas calculations for the period August 1, 2009 through July 31, 2010 as set forth in Settlement Exhibit No. 1 attached to Hearing Exhibit No. 1. The Commission further approves the authority of SCE&G to continue to charge and recover carrying costs, if applicable, on the cumulative total under-collection balances using the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679 for the same reasons set forth in that Order. Pursuant to that Order and in the event of an over-collection balance, carrying costs shall be credited to customers.

The Commission also finds that the Company conducted its hedging program during the Review Period prudently and consistent with the approvals granted in Orders No. 2006-679 and 2007-595 as modified by Order No. 2008-546. Moreover, the Company's hedging program should continue through the next review period without any modifications. Further, SCE&G shall continue to report to ORS and the Commission

within 30 days of the close of each month the results of the hedging program for the preceding months along with other information as stipulated in the Settlement Agreement.

The Commission further approves the Company's operation of its hedging program independent of and accounted for separate from its purchase of physical gas supply.

The Commission also recognizes that SCE&G's future review periods will end on July 31 of each year. Therefore, the Commission agrees with the Parties' recommendation that the Company's future PGA hearings should be scheduled in early November of each year.

Based on the testimony and exhibits and the Settlement Agreement entered into the record, the Commission finds that the Company's gas purchasing policies and practices during the Review Period were reasonable and prudent. The Commission further finds that all matters contained in the Settlement Agreement are appropriate for adoption in this proceeding and therefore finds that the Settlement Agreement is in the public interest and is a reasonable resolution of all issues in this case.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Settlement Agreement attached hereto as Order Exhibit No. 1, which was stipulated to by the Settling Parties and accepted into the record without objection at the hearing, is incorporated into and made a part of this Order. Further, the Settlement

Agreement constitutes a reasonable resolution to this proceeding and is hereby adopted as such.

2. During the Review Period, SCE&G properly administered the purchased gas adjustment. SCE&G also correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Orders No. 2006-679 and 2009-910 which factors are hereby approved.

3. SCE&G's gas purchasing policies and practices during the Review Period were within the guidelines established in prior Commission orders and were reasonable and prudent.

4. With the adjustment described by ORS Witness Barnette, SCE&G recovered its gas costs consistent with applicable tariffs and Commission orders during the Review Period.

5. The appropriate cost-of-gas calculations for the Review Period are set forth in Order Exhibit No. 1.

6. The demand charges included in the total cost-of-gas factors should continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679 by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

7. The monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679, as amended by Order 2009-910, shall be maintained.

8. The allocation factors contained in SCE&G Witness Fox's pre-filed direct testimony, as adopted by Company Witness Scruggs, are appropriate and should be used for cost-of-gas calculations beginning with the first billing cycle of January 2011.

9. SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total under collection balances in the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679.

10. SCE&G has conducted its hedging program during the Review Period prudently and consistent with the approvals granted in Docket No. 2006-5-G, Order No. 2006-679 and modified by Order No. 2008-546. SCE&G shall continue its hedging program under the terms approved by the Commission in Docket No. 2006-5-G, Order No. 2006-679 and modified by Order No. 2008-546, until further order of the Commission.

11. The actual credit balance in the Company's unbilled gas cost adjustment account shall continue to be applied to the PGA under- or over-collection calculation beginning with the first billing cycle of January 2011, and the Company shall consider this unbilled gas cost adjustment account in all future PGA calculations. Future monthly adjustments shall be applied to the demand component of the cost of gas factor.

12. SCE&G shall continue to report to ORS and the Commission within 30 days of the close of each month the results of the hedging program for the preceding months along with other information as stipulated in the Settlement Agreement.

13. The Commission Staff shall schedule SCE&G's future annual PGA reviews to allow the Company's future hearings to be held in early November.



14. This Order shall remain in full force and effect until further Order of the Commission.

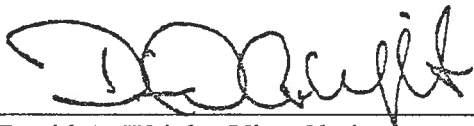
BY ORDER OF THE COMMISSION:



---

John E. Howard, Chairman

ATTEST:



---

David A. Wright, Vice Chairman

(SEAL)

**BEFORE**  
  
**THE PUBLIC SERVICE COMMISSION OF**  
  
**SOUTH CAROLINA**  
  
**DOCKET NO. 2010-5-G**  
  
**November 3, 2010**

IN RE:	)	
	)	
Annual Review of Purchased	)	SETTLEMENT AGREEMENT
Gas Adjustment and Gas Purchasing	)	
Policies of South Carolina Electric &	)	
Gas Company	)	
_____	)	

This Settlement Agreement (“Settlement Agreement”) is made by and between the South Carolina Office of Regulatory Staff (“ORS”) and South Carolina Electric & Gas Company (“SCE&G” or “Company”) (collectively referred to as the “Parties” or sometimes individually as “Party”);

WHEREAS, on June 16, 2010, the Public Service Commission of South Carolina (“Commission”) issued the notice of hearing for the 2010 Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies (“PGA”) of SCE&G;

WHEREAS, the purpose of this proceeding is to review matters related to SCE&G’s gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs;

WHEREAS, the period under review in this docket is August 1, 2009 to July 31, 2010 (“Review Period”);

WHEREAS, ORS examined the books and records of SCE&G and conducted inquiries and analyses related to the Company's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs for the Review Period;

WHEREAS, ORS determined that during the Review Period, SCE&G: a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; b) employed prudent gas purchasing practices and policies; c) recovered its gas costs consistent with applicable tariffs and Commission orders; d) conducted and administered its hedging program consistent with the authorization granted in Order No. 2006-679 and as modified in Order No. 2008-546; and e) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans;

WHEREFORE, the Parties have engaged in discussions and in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties further agree to stipulate into the record the pre-filed direct testimony and exhibits of Martin K. Phalen, J. Darrin Kahl, Alice A. Fox, Roy H. Barnette, and Carey M. Stites without cross-examination. Furthermore, each witness will take the stand to present his or her testimony and, if necessary, make non-material changes to their testimony comparable to those that would be presented via an errata sheet or through a witness noting a correction. With respect to this Settlement Agreement, Company Witnesses Kahl and Fox are the witnesses designated to be primarily responsible for providing support for the Settlement Agreement at the hearing scheduled in this case. The Parties agree that pre-filed settlement testimony is not

needed in this case; however, Witnesses Kahl and Fox will supplement the presentation of their testimony at the hearing to include testimony supportive of this Settlement Agreement.

2) The Parties agree that a carrying cost adjustment in the amount of \$25,702 should be applied to the Company's cumulative over/under collection amount to reflect commencement of the unbilled portion of purchased gas costs in November 2009. For the purpose of setting the gas cost recovery factors, the Parties accept the use of ORS's cost of gas calculations for the period August 1, 2009 through July 31, 2010 as set forth in Settlement Exhibit No. 1 attached hereto.

3) The Parties agree to maintain the monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Commission Order No. 2006-679 and amended by Commission Order No. 2009-910.

4) The Parties acknowledge the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679 by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors under this Settlement Agreement. The Parties agree that the allocation factors contained on page 4 in Ms. Fox's pre-filed direct testimony (Residential 65.96%; Small General Service/Medium General Service 31.46%; and Large General Service 2.58%) are appropriate and should be used for the cost of gas calculations beginning with the first billing cycle of January 2011.

5) As part of this Settlement Agreement, the Parties agree that SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total over- or under-collection balances in the same method and with the same limitations as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679.

6) The Parties agree that the hedging program and methodologies approved by Commission Order No. 2006-679 in Docket No. 2006-5-G were conducted and administered during the Review Period consistent with Order No. 2006-679 and as modified by Order No. 2008-546. No modifications are proposed to the hedging program and methodologies by the Parties in this proceeding.

7) SCE&G agrees to continue reporting to the Commission and ORS within 30 days following the close of each month the results of the hedging program for the preceding month, which report shall include the hedging transactions closed-out during the month, the additions to or subtractions from the cost of gas resulting from closed-out contracts, the costs of operating the program during the month, and a list of open transactions as of the last day of the month for each succeeding month.

The Parties further agree that SCE&G's hedging program shall continue to be operated independent of and shall be accounted for separate from its purchase of physical gas supply.

8) With future review periods ending on July 31, the Parties agree that future PGA hearings should be scheduled in early November.

9) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Settlement Agreement reached among the Parties serves the public interest as defined above.

10) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

11) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

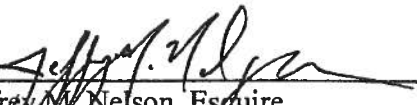
12) This Settlement Agreement shall be interpreted according to South Carolina law.

13) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[SIGNATURES ON THE FOLLOWING PAGES]

WE AGREE:

**Representing the South Carolina Office of Regulatory Staff**

  
\_\_\_\_\_  
Jeffrey M. Nelson, Esquire  
Courtney D. Edwards, Esquire  
**South Carolina Office of Regulatory Staff**  
1401 Main Street, Suite 900  
Columbia, SC 29201  
Phone: (803) 737-0823  
Fax: (803) 737-0895  
Email: [jnelson@regstaff.sc.gov](mailto:jnelson@regstaff.sc.gov)



WE AGREE:

**Representing South Carolina Electric & Gas Company**



K. Chad Burgess, Esquire  
Matthew W. Gissendanner, Esquire  
**South Carolina Electric & Gas Company**  
Mail Code C222  
220 Operation Way  
Cayce, South Carolina 29033-3701  
Phone: (803) 217-8141  
Fax: (803) 217-7931  
Email: chad.burgess@scana.com  
matthew.gissendanner@scana.com

Mitchell Willoughby, Esquire  
**Willoughby & Hoefer, P.A.**  
Post Office Box 8416  
930 Richland Street  
Columbia, SC 29202-8416  
Phone: (803) 252-3300  
Fax: (803) 256-8062  
Email: mwilloughby@willoughbyhoefer.com

**Docket No. 2010-5-G**  
**Order No. 2010-826**  
**December 16, 2010**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Total Firm Commodity Cost	Total Firm Sales Terms	Commodity Cost Per Therm	Billing Commodity Cost Per Therm	Difference (3) - (4)	Commodity (Over)/Under Collection (2) X (5)	Demand (Over)/Under Collection	Prior Month Adjustments	Total Monthly (Over)/Under Collection (6) + (7) + (8)	Cumulative (Over)/Under Collection
	\$	#	\$	\$	\$	\$	\$		\$	\$
Ending Balance per ORS at July 31, 2009 To reverse rate change adjustment included in ORS schedule at 7-31-09 but not adjusted by SCE&G until September 2009 Less : Differences due to rounding in prior period										(6,001,812) 108,811 65
Beginning Balance at August 1, 2009 Per Company										(3,892,936)
Aug-09 Aug-09 - Interest @ 4.051%	2,888,027	6,731,357	0.429041	0.53366	(0.104619)	(704,228) (42,047) 21,202	3,372,743 31,233			
Uncollectibles-Commodity Only						(1) <u>(725,073)</u>	<u>3,403,976</u>			
Sep-09 Sept-09 - Interest @ 3.959%	2,464,223	6,910,831	0.356574	0.52093	(0.164356)	(1,135,837) (45,265) 5,942	2,958,248 40,335		2,678,903	(3,214,033)
Uncollectibles-Commodity Only						(1) <u>(1,175,160)</u>	<u>2,998,583</u>	(108,811)	1,714,612	(1,499,421)
Oct-09 Oct-09 - Interest @ 4.040%	5,680,337	9,255,932	0.613697	0.53944	0.074257	687,318 (44,051) (4,356)	2,590,627 50,025			
Uncollectibles-Commodity Only						(1) <u>638,911</u>	<u>2,640,652</u>	0	3,279,563	1,780,142
Nov-09 Nov-09 - Interest @ 3.853%	9,351,953	14,015,823	0.667243	0.53944	0.127803	1,791,264 (36,402) (828)	(47,679) 22,706			
Uncollectibles-Commodity Only						(1) <u>1,754,034</u>	<u>(7,888,311)</u>	0	(6,059,250)	(4,279,108)
Dec-09 Dec-09 - Interest @ 4.484%	21,117,814	27,955,134	0.755418	0.49929	0.256128	7,160,093 (15,739) 1,321	(3,761,639) (13,607)			
Uncollectibles-Commodity Only						(1) <u>7,145,675</u>	<u>7,788,311</u>	0	(3,603,112)	(7,882,220)
Dec-09 - Reverse P/M Unbilled Revenue adjustment						(4) <u>4,677,156</u>	<u>(6,898,235)</u>			-
Jan-10 Jan-10 - Interest @ 4.261%	31,519,567	48,637,288	0.648054	0.55189	0.096164	1,599 563	(40,554)			-
Uncollectibles-Commodity Only						(1) <u>4,679,318</u>	<u>(15,680,337)</u>	0	(3,177,956)	(11,060,176)
Jan-10 - Reverse P/M Unbilled Revenue adjustment						(4) <u>15,680,337</u>	<u>(15,647,777)</u>			-
Feb-10 Feb-10 - Interest @ 4.245%	24,734,801	41,795,077	0.591811	0.55189	0.039921	1,668,501 7,517 4,244	(5,248,508) (62,721)			-
Uncollectibles-Commodity Only						(1) <u>1,680,262</u>	<u>(6,278,669)</u>	0	(4,598,407)	(15,658,583)
Feb-10 - Reverse P/M Unbilled Revenue adjustment						(4) <u>(6,278,669)</u>	<u>0</u>			-